



General Assembly

February Session, 2008

***Raised Bill No. 5783***

LCO No. 2706

\* \_\_\_\_HB05783ET\_\_\_\_031108\_\_\_\_\*

Referred to Committee on Energy and Technology

Introduced by:  
(ET)

***AN ACT CONCERNING ELECTRICITY MARKET INCENTIVE  
REBATES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective from passage*) (a) On or before July 1, 2008,  
2       and in subsequent calendar years as necessary pursuant to subsection  
3       (d) of this section, the Department of Public Utility Control shall,  
4       through a contested case proceeding, determine the cost of service,  
5       including a reasonable rate of return on equity, of each power  
6       generation plant in the state that uses uranium fuel or coal to produce  
7       all or part of its electric output. The department shall conduct a  
8       separate contested case proceeding for each such power generation  
9       plant. Each such power generation plant shall be entitled to, but not  
10      required to, participate in the investigative proceeding related to its  
11      cost of service and in the absence of such participation, the department  
12      shall develop the cost of service using reasonable estimates.

13      (b) Not later than ninety days after a decision by the department in  
14      a contested case proceeding pursuant to subsection (a) of this section  
15      regarding a power generation plant, the electric distribution company  
16      for the territory in which the power generation plant is located shall

17 offer to enter into a contract with the power generation plant of a term  
18 of between five and fifteen years. The compensation to the power  
19 generation plant under such contract shall reflect the cost of service  
20 determination, including a reasonable rate of return, made by the  
21 department in the contested case proceeding for the first year of the  
22 contract and adjusted each year in an annual retail generation rate  
23 contested case to reflect the prudently incurred costs of such power  
24 generation plant, including, but not limited to, capital costs, operation  
25 and maintenance expenses, depreciation, fuel costs, taxes and other  
26 governmental charges, emissions allowances and a reasonable rate of  
27 return on equity. A power generation plant may also seek more  
28 frequent review by the department if compensation under the contract  
29 becomes so low that it jeopardizes continued operation of the plant. A  
30 person operating a power generation plant under contract pursuant to  
31 this section shall bid the unit into all applicable regional independent  
32 system operator markets, including the energy market, capacity  
33 market or forward reserve market, using cost-of-service principles and  
34 pursuant to guidelines established by the department each year in the  
35 annual retail generation rate case pursuant to this section.

36 (c) The costs and administrative costs of any contracts described in  
37 this section shall be recovered from ratepayers through nonbypassable  
38 federally mandated congestion charges or other nonbypassable  
39 charges.

40 (d) If a power generation plant declines to enter into a contract with  
41 an electric distribution company approved by the department  
42 pursuant to subsection (b) of this section, such power generation plant  
43 shall be subject to an annual market incentive recovery charge. Each  
44 calendar year, the department shall determine the market incentive  
45 recovery charge, which shall be the entire amount of the positive  
46 difference between (1) what such plant has earned in the calendar year  
47 from its power generation operations, including payments received  
48 under the regional independent system operator markets and pursuant  
49 to bilateral contracts, and (2) the plant's cost of service, including a

reasonable rate of return on equity, as determined by the department each calendar year pursuant to subsection (a) of this section. The market incentive recovery charge shall be returned to customers through a credit to nonbypassable federally mandated congestion charges or another nonbypassable charge approved by the department. Such credit shall be in the form of a rebate on customers' monthly electric bills. The department shall determine the market incentive recovery charge for each power generation plant in a contested case in which the power generation plant owner is entitled to, but not required to, participate. If the power generation plant owner does not participate in its market incentive recovery charge proceeding or does not provide information to the department necessary for a determination of the charge, the department shall derive the market incentive recovery charge using reasonable estimates.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
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**ET**      *Joint Favorable*